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(WSJ):U.S. Tobacco Analyst's Independence Seen Challenged

NEW YORK (AP-Dow Jones)--Wednesday morning Gary Black, of Sanford C. Bernstein & Co., agreed to join forces with investor Carl Icahn to help build a new slate of directors to run against RJR Nabisco Holdings Corp.'s board, and to push for a spinoff of Nabisco Holdings, people familiar with the situation say.

Black signed a contract with Icahn at about 2 a.m. and received a $1 million check, with expectations of more on the way, these people say, reports Friday's Wall Street Journal.

That is a stunning development for an analyst who just this week was again named by Institutional Investor magazine, as the No. 1 **tobacco** analyst - one who has been tracking Ichan's skirmishes with RJR and who has been a proponent of the spinoff.

People at Sanford C. Bernstein, RJR's second-biggest shareholder via its asset management arm, weren't too happy to hear they were losing one of their stars to Icahn who owns nearly 6% of RJR's shares.

Then Thursday morning, the 36-year-old analyst had second thoughts and told Icahn he was backing out of the offer, according to people tracking the developments.

Sanford C. Bernstein is considered by people close to the situation to have put intense pressure on Black to back out of the offer. Lewis Sanders, the firm's chief executive, didn't return a phone call.

But Wednesday, after Black and Icahn shook hands and before Black apparently got cold feet, Icahn hand-delivered a letter to Steven Goldstone, RJR Nabisco's chairman and chief executive, in the company's offices in Midtown Manhattan.

The letter said Black was hired by Icahn to put the slate together that would push for a spinoff of Nabisco Holdings from RJR, which still holds roughly 80% of the stock in Nabisco. It said Icahn put $5 million in escrow to finance the proxy fight.

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Black didn't return repeated phone calls. Icahn probably isn't happy since he thought he had a deal and was set to announce the hire Thursday morning. An Icahn spokesman declined to comment.

An RJR Nabisco spokesman confirmed that the company was notified of Black's move, as well as attempts to hire **tobacco executives**.

Sanford C. Bernstein is a major player in **tobacco** investing, and probably didn't want to be viewed as helping Icahn. As of June 30, Sanford C. Bernstein's asset management arm owned 19.2 million shares of RJR, according to Technimetrics Inc., and 9.8 million shares of Philip Morris Cos.

Business-ethics experts say that despite his 11th-hour retreat, Black could be accused of violating the independent role analysts are expected to maintain.

'You can't both be an independent analyst and an advocate for a particular outcome in a takeover deal,' said Kirk O. Hanson, senior lecturer in business ethics at Stanford Business School in California.

'The analyst's employer certainly has grounds to question the judgment of the analyst and, to me, the analyst's judgment is what he's getting paid for. I would find it very difficult for the analyst's employers or for others who are affected by the analyst's work to ever have trust in that individual again.'

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